

Decision _____

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Southern California Edison Company (U 338-E) for a Commission Decision Authorizing Amortization of its Current Undercollection in its Energy Resource Recovery Account Through Generation Rates Adopted in D.05-03-006.

Application 05-03-027
(Filed March 25, 2005)

**OPINION GRANTING AMORTIZATION
OF AN ENERGY RESOURCE RECOVERY
ACCOUNT UNDERCOLLECTION****1. Summary**

This decision authorizes Southern California Edison Company (SCE) to maintain its currently authorized Energy Resource Recovery Account (ERRA) rate levels so that it may draw down its February 2005 undercollected ERRA balance within four months.

2. Background

Section 454.5(d) (3) of the Public Utilities Code provides for the timely recovery of procurement costs incurred by electric utilities that are under an approved procurement plan. Recorded revenues and costs incurred under an approved procurement plan are to be tracked in a power procurement balancing account. The balance in this balancing account is not to exceed five percent of the electrical utility's actual recorded generation revenues for the prior calendar year excluding revenues collected for the Department of Water Resources (DWR).

Until January 1, 2006, over- and undercollected balances in this balancing account are to be amortized to ensure that the balances do not exceed this five percent threshold level. After January 1, 2006, adjustments to this balancing account are to occur when deemed appropriate by the Commission.

By Decision (D.) 02-10-062, dated October 24, 2002, an ERRA was established to track the differences between fuel and purchased power revenue requirements and actual recorded costs of an approved procurement plan. That decision also established a trigger mechanism to ensure that the five percent threshold level would not be reached. The trigger mechanism requires any electrical corporation whose ERRA balance reaches four percent of its prior year's recorded generation revenues, excluding revenues collected for the DWR, to file an expedited application for approval to adjust its rates in 60 days from the filing date when its ERRA balance reaches four percent. Any such expedited application is to include (1) a projected account balance in 60 days or more from the date of filing depending on when the balance will reach the five percent threshold and (2) propose an amortization period for the five percent of not less than 90 days.

At January 31, 2005, SCE had a \$130.621 million undercollected ERRA balance, or 3.97% of its prior year recorded generation revenues excluding revenues collected for the DWR. By February 28, 2005 that undercollected balance increased further to \$319.253 million, or 9.70% of prior year recorded generation revenues, and exceeded both its trigger and threshold levels. Hence, SCE filed this expedited application pursuant to the ERRA procedures adopted in D.02-10-062.

3. Requested Authority

SCE seeks no change to its ERRA related rates on the basis that its undercollected ERRA balance will be fully amortized within four months without any change in its ERRA rates.

4. Discussion

SCE explained that its February 28, 2005 ERRA balance exceeded both its trigger and threshold levels due to a delay in implementing its January 1, 2005 requested ERRA rate increase, a \$132 million accounting adjustment associated with the February 2005 reversal of a transmission refund debited to its ERRA pursuant to Resolution E-3895, and its seasonal-adopted rate design whereby residential customers' generation rates are increased in summer months and decreased in winter months.

By D.05-03-006, dated March 17, 2005, SCE's 2005 ERRA revenue requirement was increased to \$3.16 billion, a 46% increase over its adopted 2004 ERRA revenue requirement. With SCE implementing its authorized 2005 ERRA rate increase and taking into account its seasonality ERRA revenue stream, SCE forecasts that its undercollected ERRA balance will drop below the four percent trigger point to 3.48% by the end of July 2005 and be fully amortized by the end of September 2005 without any further Commission action, as shown in its 2005 forecast of monthly ERRA balances attached to the application.

SCE has substantiated that the continuation of its currently authorized ERRA rates will fully amortize its February 2005 undercollected balance within four months. SCE has complied with the requirements of Pub. Util. Code § 454.5(d)(3) and D.02-10-062.

5. Category and Need for Hearing

In Resolution ALJ 176-3151, dated April 21, 2005, the Commission preliminarily categorized this proceeding as ratesetting, and preliminarily determined that hearings were not necessary. This matter appeared on the Commission's April 11, 2005 Daily Calendar. There is no filed opposition to this application. Based on the record, we affirm that this is a ratesetting proceeding, and that hearings are not necessary.

6. Waiver of Comment Period

This is an uncontested matter in which the decision grants the relief requested. Accordingly, pursuant to Pub. Util. Code § 311(g) (2), the otherwise applicable 30-day period for public review and comment is being waived.

7. Assignment of Proceeding

Michael R. Peevey is the Assigned Commissioner and Michael J. Galvin is the assigned Administrative Law Judge in this proceeding.

Findings of Fact

1. Section 454.5(d) (3) provides for the timely recovery of procurement costs incurred by electric utilities that are under an approved procurement plan.
2. The balance in an ERRA balancing account is not to exceed five percent of the electric utility's actual recorded generation revenues for the prior calendar year excluding revenues collected for the DWR.
3. Until January 1, 2006, over- and undercollected balances in an ERRA account are to be amortized to ensure that the balances do not exceed a five percent threshold level.
4. A trigger mechanism was established that requires any electrical corporation whose ERRA balance reaches four percent of its prior year's recorded generation revenues excluding revenues collected for the DWR to file

an expedited application for approval to adjust its rates in 60 days from the filing date.

5. SCE filed this expedited application because its February 28, 2005 undercollected ERRA balance exceeded its trigger and threshold levels.

6. SCE seeks no change to its ERRA related rates on the basis that its undercollected ERRA balance will be amortized within four months with no change in its ERRA rates.

7. There is no opposition to this application.

Conclusion of Law

This application should be approved and become effective immediately so that SCE may timely recover its February 2005 undercollected ERRA balance.

O R D E R

IT IS ORDERED that:

1. Southern California Edison Company is authorized to maintain its currently authorized Energy Resource Recovery Account (ERRA) rate levels so that it may draw down its February 2005 undercollected ERRA balance below a five percent threshold level within four months.

2. Application 05-03-027 is closed.

This order is effective today.

Dated _____, at San Francisco, California.